5 SEM TDC RKMT 3 (Sp)

2 0 1 4

(November)

COMMERCE

(Speciality)

Course : 503

(Risk Management)

Full Marks : 80
Pass Marks : 32

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. Answer the following as directed :　　　1×8=8

(a) One of the broad objectives of risk management is satisfaction of externally imposed obligations.

(Write True or False)

(b) A forward is a contract to make a deferred purchase or a sale.

(Write True or False)

(c) Define risk in one sentence.

　　　　　　　　(*Turn Over*)

(d) Utility of a portfolio is the aggregate of expected return and the risk level of the portfolio.

(Write True or False)

(e) Which of the following is not normally taken into consideration to judge liquidity risk of bank?

(i) Current ratio

(ii) Acid-test ratio

(iii) Debt-equity ratio

(iv) Networking capital

(Choose the correct answer)

(f) —— banks should not be permitted to invest their funds anywhere except in government securities.

(Fill in the blank)

(g) Reinsurance is a type of risk management involving transfer of risk from insurer to reinsurer.

(Write True or False)

(h) Reinsurance is a process which reduces the risk of the original ——.

(Fill in the blank)

(Continued)

2. Write short notes on any *four* of the following : 4×4=16

    (a) Economic risk

    (b) Capital adequacy norms

    (c) Overall risk determination

    (d) ALM organization

    (e) Risk reduction

3. (a) Distinguish between systematic risk and unsystematic risk with examples. 11

Or

    (b) What do you mean by pure risk? Discuss the main features of pure risk. 3+8=11

4. (a) What do you mean by liquidity risk? Discuss how a bank can manage its liquidity risk. 3+8=11

Or

    (b) Briefly explain the principles followed by banks in managing their portfolios of investment. 11

5. (a) Discuss the risk management process followed by a bank. 11

Or

(b) What do you mean by currency risk? Explain how a bank can manage its currency risk. - 3+8=11

6. (a) What do you mean by value maximization approach? How can a bank apply this approach for managing their assets? 5+6=11

Or

(b) Write brief notes on the following :

5½+5½=11

(i) Capitalization of bank

(ii) Risk avoidance

7. (a) Define risk retention. What are the potential savings to a firm deciding to retain risk? 5+7=12

Or

(b) Discuss about the risks associated with life insurance business. 12

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